the volume of media of exchange, but to the quantity and value of the standard commodity. And in this connection his discussion of the movement of specie in international trade is quite logical. Indeed this part of his exposition goes far to remove strong support from the pure quantity theory. He sees, as others have also, that it is impossible to reconcile the facts of business and trade with the obsolete theory that the cause of the international movement of goods and specie is to be found in the "rise or fall of general prices in particular countries according to the volume of their currencies." He has correctly explained that the movement of specie "follows, and does not determine, the course of trade." Those who have found little to accept in the quantity theory, therefore, will certainly not be troubled by being reminded that the quantity theory is necessary to a true understanding of international trade and payments.

The largest part of this volume is made up of materials which the author has already published in his "Money and Monetary Problems," or elsewhere. The whole treatment is clear, systematic, and eminently fair. L.

Das Fictive Capital als die Ursache niedrigen Arbeitslohnes. Von ALFRED OFFERMANN. Wien: 1896. 8vo. pp. 235.

THIS book is essentially a criticism of the present distribution of wealth, especially as it affects the workman. The thesis is that the workman does not get his fair share of the product, and that the principal cause of his deprivation is illegitimate speculation, or stock gambling.

The first of the five chapters of the book is a general discussion of social evolution. The author is evidently a "biological sociologist," but his exposition adds nothing new to the theory of society, and a discussion of his views on this subject is not necessary to the presentation of his main thesis.

Nor is a discussion of the second chapter necessary to an understanding of the author's position. The chapter discusses the relation of wages to real capital. His view of the condition of the wage-earner is pessimistic. In his exposition of the theories of interest and wages he follows closely the Austrian economists.

In the third chapter the writer passes to the treatment of fictitious capital. Accepting the theory that interest is the difference in value

between present and future goods, the author discards pure profit, or the earnings of the entrepreneur, as a separate economic category, and insists that no earnings can accrue to capital from mere lapse of time. The capital must be used in production.

Alongside the increase of real, productive capital is a vast increasing sum of "illusory" values, or fictitious capital, which, with even greater certainty and regularity than real capital, brings interest to its owners. This fictitious capital comprises public stocks, bonds, mortgages, and especially shares of joint-stock companies. Now this credit capital is not productive. Its value may increase without any effort of its owners or any corresponding increase of production. Indeed, the real capital which it represents may have long since been destroyed. The value of even corporation shares is completely illusory. For the capital which they represent cannot have a double existence, one attaching to the stocks and the other in the form of goods used in production. The market price of these "paper values" has no relation to the value of the real goods they represent. Real and fictitious capital are bound together through money. Gain from the sale of stocks is converted into money, which gives command over production goods. As the price of stocks rises they are converted into money obtained by the withdrawal of capital goods from production, and their subsequent sale. In short, an increase in fictive capital necessitates more money, which reacts to raise its price further. But the money is needed at a basis of production. The double demand for it raises the rate of interest and thus affects real production. The price may be raised in other ways, however, as by cliques, mere imagination, etc. In any case more ready money is needed. When the demand therefor reduces bank reserves to the minimum the banks extend credit on the basis of credit paper. "Each gives credit with one hand and receives it with the other," still further increasing the strain on the money supply. This process finally begets a crisis, a fall of prices, and curtailment of production.

Now, how does all this affect wages? They are depressed, as is thus shown. Capital grows by saving something from present consumption and devoting it to production. Products of manufacture, tools, machinery, etc., increase more rapidly than labor power. Hence, in expanding production the value of the latter rises more rapidly than that of goods. But when fictitious capital exists a saved surplus can be invested therein, instead of in production, and this injures the

laborer in two ways. First, production and demand for labor are prevented from increasing. Second, those who draw incomes from paper values increase therewith the demand for means of subsistence and so raise their price. This rise of price is equivalent to a lowering of wages.

Speculation in real capital goods does not affect wages as does that in fictitious capital. Rather it is beneficial because it steadies prices.

This is, in brief, the author's theory. He insists that he is not, like Marx, an enemy of capital. Marx's mistake, he says, lies in his opposition to *real* capital, whose increase is beneficial. Its earnings tend to sink to a minimum and so to benefit the laborer, but fictitious capital comes in to counteract this advantage by increasing the "agio" on capital. If these paper values did not exist "a hundredfold more undertakings would arise in the field of industry, agriculture, and commerce. Marshes would be drained, rivers straightened, canals and bridges built," etc.

What is the remedy? For answer the author recurs to his account of social evolution, recalls the facts that private property is not absolute, that the interests of individuals should give way to those of the public, and that the state must aim to give equal opportunities to all. Hence, the state must regulate capital and prevent the wrong use of property. There are two elements in property, the social and the individual. Only the latter attaches to fictive capital, which is, therefore, anti-social and illegitimate, and should be done away with.

An appendix gives an account of the stock and mining speculation of 1895.

In the course of his discussion the author at times shows somewhat intense feeling. But we can readily forgive him for this in view of the high purpose which he evidently has, especially since his indictment has so much ground of fact.

It is, of course, true that great fortunes are made in stock gambling and that the harpy-like selfishness of many speculators produces terrible evils to the whole community. Legitimate speculation, as Herr Offermann says, is good and necessary, but the acquirement of control of finance and industry by mere stock gambling is a public wrong no condemnation of which can be too severe. Indeed, that our author's opinion on this point is widely held is shown by the fact that so conservative a man as Professor Hadley can write: "If business men are not to be controlled by commercial ethics . . . . they must

expect to be deprived of responsibility and power together by a popular movement in the direction of socialism." That is also the opinion of our author. But he goes somewhat too far and we cannot help feeling that his argument is somewhat strained. The aggregate of stock gambling is doubtless very large, but the transactions do not draw on bank reserves nearly so severely as the author thinks. To a very large extent they are based on obligations which cancel one another. A well managed bank is not likely to endanger its position by lending so much to stock brokers as to imperil its commercial business. Still it must be admitted that if bank reserves are diminished in such a way at a time when there is a demand for loans for industrial purposes industry will suffer.

Moreover, the author lays too much stress on the influence of stock gambling to raise the rate of interest. A large demand for loans in the stock market will indeed push up the rate of discount, but only under unusual circumstances will it seriously curtail industrial and commercial loans.

The privotal points of the writer's theory are that the increased value of stocks, realized in money, decreases the available means of production and increases prices. It is true that every unearned increment of value, especially when consumed by an idler, so far diminishes the amount due the producing classes. But if the wealth obtained by fictitious or speculative rise in stocks, were secured by the industrial classes, it might not go to wages. If all unearned increments were remitted, laborers would not necessarily get higher wages. Employers and consumers might profit by the change. Moreover, if the wealth obtained through fictive capital went to swell production it might under certain circumstances cause an oversupply and depress industry to the disadvantage of the laborers. Only a due proportion of product can be applied to enlarge production without disturbing the desirable equilibrium between production and consumption.

The evils of stock gambling, of fictitious credit, of capital which has only a paper value, are, indeed, great. But the only real cure of these evils lies in a more enlightened public opinion and in a higher sense of responsibility to the public on the part of capitalists and speculators. Certainly the German Bourse laws have so completely failed to prevent illegitimate speculation that reliance on legislation is proven illusory.

Herr Offermann has described well one of the most vicious features of our modern system of credit, and has given an excellent analysis of its operation. But the remedy still remains to be discovered.

DAVID KINLEY.

Das Zeitalter der Fugger: Geldkapital und Creditverkehr im 16. Jahrhundert. 1. Band: *Die Geldmächte des 16. Jahrhunderts;* 2. Band: *Die Weltbörsen und Finanzkrisen des 16. Jahrhunderts.* Von DR. RICHARD EHRENBERG. Jena: Gustav Fischer, 1896. 8vo. pp. xv + 420 and iv + 367.

IT may not be out of place to mention here an earlier book by the same author: *Hamburg und England im Zeitalter der Königin Elisabeth.* Based on a study of the archives of Hanseatic towns and English state papers, it shows how the commercial and industrial supremacy in northern Europe went over to England.

The *Zeitalter der Fugger* may be viewed from two standpoints, the historical or the economic, as the author himself remarks in the preface to his extremely interesting and instructive work. As to his own conception of history, the author says (vol. i. p. iii):

> I cannot fail to be called an adherent of the so-called "materialistic conception of history." If you mean by that a conception which denies the working of ideal motives in history, I feel entirely free from such a crude and manifestly incorrect conception. But if you mean by "materialistic" a conception which attributes to economic interests an exceedingly great significance for the development of mankind and which tries to fix scientifically this significance, I am, indeed, a "materialist."

Yet the author is not entirely free from contradicting himself when he separates political and economic history, in saying that whoever writes political history must confine himself essentially to an explanation of the external evolution of things from the qualities and intentions of the leading statesmen; as if any man, however towering he be, were not determined by his fellow-men, by his time, by the interests and the ideals reflecting these interests, which form part and parcel of his own life as well as of that of his fellow-men. Dr. Ehrenberg does not deny that the foreign and the constitutional policies of a commonwealth even at the present time rest, in the last resort, on popular interests.

But in former times, in the age of dynastic policy, the case was mostly